

Received & Inspected

OCT 24 2013

FCC Mail Room

10/10/2013

(1100) No Terrestrial Backhaul Reporting  
Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

☐

Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

☐

Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

## (1200) Terms and Condition for Lifeline Customers

## Lifeline

## Data Collection Form

FCC Form 481  
OMB Control No. 3060-0885/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

371581ne1210

Name of attached document (.pdf)

HTTP

&lt;1210&gt; Terms &amp; Conditions of Voice Telephony Lifeline Plans

&lt;1220&gt; Link to Public Website

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:



&lt;1221&gt; Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,



&lt;1222&gt; Details on the number of minutes provided as part of the plan,



&lt;1223&gt; Additional charges for toll calls, and rates for each such plan.

Received &amp; Inspected

OCT 24 2013

FCC Mail Room

## (2000) Price Cap Carrier Additional Documentation

## Data Collection Form

Including Rate of Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	371581
<015>	Study Area Name	PIERCE TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

<2010>	Incremental Connect America Phase I reporting	<input type="checkbox"/>
<2011>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>

<2012>	Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))	<input type="checkbox"/>
<2013>	2013 Frozen Support Certification	<input type="checkbox"/>
<2014>	2014 Frozen Support Certification	<input type="checkbox"/>
<2015>	2015 Frozen Support Certification	<input type="checkbox"/>
	2016 and Future Frozen Support Certification	<input type="checkbox"/>

<2016>	Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))	<input type="checkbox"/>
	Certification Support Used to Build Broadband	<input type="checkbox"/>

<2017>	Connect America Phase II Reporting (47 CFR § 54.313(e))	<input type="checkbox"/>
<2018>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2019>	5th year Broadband Service Certification	<input type="checkbox"/>
<2020>	Interim Progress Certification	<input type="checkbox"/>

Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Interim Progress Community Anchor Institutions

Received &amp; Inspected

OCT 24 2013

FCC Mail Room

Received &amp; Inspected

OCT 24 2013

FCC Mail Room

(3000) Rate of Return Carrier Additional Documentation Data Collection Form		FCC Form 481 OMB Control No. 3160-0065 OMB Office: NID-5700-0815 July 2013	
<010>	Study Area Code	371581	
<015>	Study Area Name	PIERCE TEL CO	
<020>	Program Year	2014	
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen	
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062	
<035>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com	

**Progress Report on 5 Year Plan**

Check the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Item	Description	Yes/No	Yes/No
(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>	<input type="checkbox"/>
(3011)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3012)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	<input type="checkbox"/>
(3013)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	<input type="checkbox"/>	<input type="checkbox"/>
(3014)	If the response is no on line 3014, is your company audited?	<input type="checkbox"/>	<input type="checkbox"/>
(3015)	If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>	<input type="checkbox"/>
(3016)	Management letter issued by the independent certified public accountant that performed the company's financial audit.	<input type="checkbox"/>	<input type="checkbox"/>
(3017)	If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3018)	Underlying information subjected to a review by an independent certified public accountant	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3019)	Underlying information subjected to an officer certification.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3021)	Attach the worksheet listing required information	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Name of Attached Document Listing Required Information: \_\_\_\_\_

Name of Attached Document Listing Required Information: \_\_\_\_\_

Name of Attached Document Listing Required Information: \_\_\_\_\_

371581ne3026

10/10/2013

OCT 24 2013

FCC Mail Room

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	371581
<015> Study Area Name	PIERCE TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035> Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039> Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

OCT 24 2013

FCC Mail Room

Certification - Agent / Carrier Data Collection Form	FCC Form 451 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	371581
<015> Study Area Name	PIERCE TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035> Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039> Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Judy Christiansen</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Judy Christiansen
Name of Reporting Carrier:	PIERCE TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE
Printed name of Authorized Officer:	Mary Fogle
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	402-329-6225
Study Area Code of Reporting Carrier:	371581
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	PIERCE TEL CO
Name of Authorized Agent or Employee of Agent:	Judy Christiansen
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE
Printed name of Authorized Agent or Employee of Agent:	Judy Christiansen
Title or position of Authorized Agent or Employee of Agent:	Consultant
Telephone number of Authorized Agent or Employee of Agent:	402-398-0062
Study Area Code of Reporting Carrier:	371581
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Received & Inspected

OCT 24 2013

FCC Mail Room

---

Attachments





OCT 24 2013

FCC Mail Room

## Pierce Telephone Company

### Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules

#### Service Quality Standards

##### The Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.
- Advertises the availability of its services and the charges using media of general distribution and on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during normal business hours.
- Directs after hour calls to the Company's voice mail which allows customers to leave a message and a repairman will be paged.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
  - Answer all incoming calls promptly.
  - Respond to all inquiries for information promptly and courteously.
  - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
  - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.

#### Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

OCT 24 2013

FCC Mail Room

**Pierce Telephone Company, Inc.**  
**Ability to Remain Functional in Emergency Situations**

1. Pierce Telephone Company, Inc. (PTC) has been providing high quality service in Nebraska since 1955. This includes operating in adverse conditions including blizzards, ice storms, thunderstorms, tornadoes and during prolonged power outages. PTC's management team, plant supervisors, plant technicians and customer service representatives have the training, experience and equipment necessary to respond to, manage and operate in emergency situations.
2. Pierce Telephone Company, Inc. follows applicable Rural Utilities Service (RUS) Telecommunications program practices and guidelines including the Telecommunications Engineering and Construction Manual (TE&CM) and other industry standards available to small telecommunications carriers. Pierce Telephone Company, Inc. also meets the requirements of the Nebraska Public Service Commission (NPSC) as applied to local exchange service.

3. Back-Up Power

- 3.1. Central Office

- 3.1.1. Pierce Telephone Company, Inc. maintains storage batteries designed to provide a minimum reserve capacity consistent with RUS TE&CM 1751E-302, Power Requirements for Digital Central Office Equipment. 1751E-302 paragraph 2.3.4 recommends a minimum reserve capacity of 8 hours, or 3 hours if the central office is equipped with an emergency standby generator. This is consistent with Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.05 Emergency Operations and Power.

- 3.1.2. Pierce Telephone Company, Inc. maintains a dedicated standby generator fueled with a 50 gallon reserve supply of diesel fuel at the Pierce central office and a standby generator fueled with a 500 gallon reserve supply of liquid propane gas (LPG) at the Hoskins central office. The standby units are equipped with an automatic transfer switch so that in the event of an interruption of the commercial electric power lasting more than a few minutes, the standby generator starts automatically and provides electrical power to the central office equipment, air conditioning and building lighting. The automatic transfer switch also exercises the standby unit periodically and an alarm indication is sent if the standby generator does not start so that telecommunications personnel can perform proactive maintenance.

**Pierce Telephone Company, Inc.**  
**Ability to Remain Functional in Emergency Situations**

*Received & Inspected*

*OCT 24 2013*

*FCC Mail Room*

---

**3.2. Remote Equipment Cabinets**

3.2.1. Where electronic equipment in cabinets located remotely from the central office, is used to provide service, the cabinets are equipped with batteries designed to operate for a minimum of eight hours without commercial electrical power. In addition, Pierce Telephone Company, Inc. maintains portable AC standby generators for use in the event of prolonged commercial power interruptions and the cabinets are equipped with external receptacles to facilitate connection to portable generators.

**4. Rerouting Traffic around Damaged Facilities**

4.1. In the event of damage to cable facilities owned by Pierce Telephone Company, Inc., our maintenance personnel would restore service using emergency splice kits kept on hand for these types of service disruptions. If the damaged facilities are not owned by Pierce Telephone Company, Inc. we would work with the carrier directly affected to identify the source of disruption and the estimated amount of time before service is restored.

4.2. Pierce Telephone Company, Inc. currently has diverse fiber routes. One route supports toll calling and the other route supports Internet service. In the event of an extended outage, contact would be made with the other service provider to provision temporary alternate routes supporting originating and terminating toll calls. Emphasis would first be placed on establishing connections to nearby PSAP, law-enforcement and emergency services.

**5. Managing Traffic Spikes**

5.1. Pierce Telephone Company, Inc. meets Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.12 Dial Service Objectives for sufficient central office capacity and equipment during the "...average busy hour-busy season..."

5.2. Pierce Telephone Company, Inc. follows applicable RUS practices 522 and 322 when specifying, administering, and assigning facilities within its control (as opposed to facilities ordered by connecting interexchange carriers).

*Received & Inspected*

*OCT 24 2013*

*FCC Mail Room*

**Pierce Telephone Company, Inc.**  
**Ability to Remain Functional in Emergency Situations**

- 5.3. The Pierce and Hoskins central office switches are Genband DMS-10's operating at the 602.20 software release. The Pierce DMS-10 is equipped with 1175 access lines and the Hoskins DMS-10 is equipped with 302 access lines. The DMS-10's are designed to support up to 12,000 access lines by adding line and trunk interface equipment and network equipment only. In its current configuration the DMS-10's have additional capacity over and above the minimums specified to meet NPSC and RUS guidelines.
- 5.4. When traffic volumes greatly exceed specified criteria and additional capacity of the switch or connecting facilities, the DMS-10 continues to process calls but with potentially longer waiting times for dial tone, higher post-dialing delays and a higher probability of callers receiving all trunks busy indications (fast busy) and having to redial calls. Depending on the magnitude and duration of extreme peak demand, PTC would examine alternatives such as provisioning additional facilities and work with connecting carriers to expedite additional capacity.

Received & Inspected

OCT 24 2013

Pierce Telephone Company

FCC Mail Room

**Nebraska Telephone Assistance Program Terms and Conditions**

**Nebraska Telephone Assistance Program**

The Nebraska Telephone Assistance Program (NTAP) is available for qualifying customers of Pierce Telephone Company. NTAP assistance reduces the cost of basic, monthly local telephone service. Eligible consumers can receive up to \$12.75 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in NTAP. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

NTAP is administered by the Nebraska Public Service Commission.

**NTAP Eligibility Information**

**Program Based Eligibility**

To qualify for NTAP, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or the subscriber, one or more of the subscriber's dependents, or the subscriber's household must receive benefits from one of the following assistance programs:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Medicaid
- Children's Health Insurance Program/Kids Connection (SAM, MAC or EMAC)
- Supplemental Nutrition Assistance Program (SNAP); (formerly the Food Stamps Program)
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- National School Lunch Program Free Lunch program
- State assistance programs (if applicable)

To receive an NTAP application, contact your local *Health and Human Services* agency caseworker or the *Nebraska Public Service Commission*, 1200 N Street, Suite 300, PO Box 94927, Lincoln, NE 68508-4927, Phone: 402-471-3101, Toll Free: 1-800-526-0017 or <https://ntap.gisworkshop.com/>

NTAP applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

OCT 24 2013

FCC Mail Room

**Income Based Eligibility**

In addition, consumers are eligible for NTAP if their household income is at or below 135% of the federal poverty guidelines.

**2013 Federal Poverty Guidelines – 135%**

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$15,512	\$19,373	\$17,861
2	\$20,939	\$26,163	\$24,098
3	\$26,366	\$32,954	\$30,335
4	\$31,793	\$39,744	\$36,572
5	\$37,220	\$46,535	\$42,809
6	\$42,647	\$53,325	\$49,046
7	\$48,074	\$60,116	\$55,283
8	\$53,501	\$66,906	\$61,520
For each additional person, add	\$5,427	\$6,791	\$6,237

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

**Numbers of Minutes-of-Use Provided as Part of NTAP Program Service**

Pierce Telephone Company's Voice NTAP service includes unlimited local minutes-of-use within the toll-free calling area. Pierce Telephone Company's Voice NTAP Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the NTAP service, Toll blocking is available to eligible consumers at no cost.

**Rates**

Subscribers may receive the NTAP credit on any type or grade of local service, including bundled services that are normally offered by Pierce Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

**Recertification of NTAP Eligibility**

NTAP recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for NTAP will result in termination of the NTAP recipient's monthly NTAP discount and de-enrollment from NTAP.

Received & Inspected

OCT 24 2013

FCC Mail Room

**Additional NTAP Program Information**

NTAP is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined as an individual or group of individuals who live together at the same address and share income and expenses. NTAP is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

M. JANE FOGLE  
WILLIAM E. FOGLE



112 South 5th Street  
P.O. Box 113  
Pierce, NE 68767-0113  
(402) 329-8225  
1-888-329-8225  
FAX: (402) 329-4006  
e-mail: [piertel@piercetelephone.com](mailto:piertel@piercetelephone.com)  
[www.piercetelephone.com](http://www.piercetelephone.com)

**Received & Inspected**

**OCT 24 2013**

**FCC Mail Room**

Ms. Marlene H. Dortch.  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Administrator  
Universal Service Administrative Company  
2000 L Street, N.W., Suite 200  
Washington, DC 20036

RE: WC Docket No. 10-90 – Section 54.313(f)(2)  
Pierce Telephone Company (SAC 371581)

I certify that Pierce Telephone Company is not audited in the ordinary course of business. I also certify that the reported data included in the attached financials that have been reviewed by DA&E, Certified Public Accountants, is accurate.

Certification Signature:

Mary J. Bichlmeler

Name:

Mary J. Bichlmeler

Title:

Assistant Treasurer

Date:

October 9, 2013



REDACTED - FOR PUBLIC INSPECTION

Received & Inspected

OCT 24 2013

FCC Mail Room

PIERCE TELEPHONE COMPANY, INCORPORATED

Financial Statements and Schedule

Years Ended December 31, 2012 and 2011

(With Independent Accountant's Review Report Thereon)

REDACTED - FOR PUBLIC INSPECTION

Received & Indexed

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Index to Financial Statements and Schedule

Years Ended December 31, 2012 and 2011

	<u>Page Number</u>
Independent Accountant's Review Report	1
Balance Sheets	2
Statements of Operations and Comprehensive Income or Loss	3
Statements of Stockholder's Equity	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-14
Supplementary Schedule - Statistical Information	15



Kurt J. Moural, CPA  
Thomas L. Stevenson, CPA  
Daniel E. Vinckenberg, CPA  
Sonja A. Cattau, CPA  
Troy E. Knust, CPA  
Tim J. Coufal, CPA  
Casey J. Moscrip, CPA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors  
Pierce Telephone Company, Incorporated:

We have reviewed the accompanying balance sheet of Pierce Telephone Company, Incorporated as of December 31, 2012, and the related statements of operations and comprehensive income or loss, stockholder's equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2012 financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

The financial statements for the year ended December 31, 2011 were audited by us and we expressed an unqualified opinion on them in our reported dated March 20, 2012, but we have not performed any auditing procedures since that date.

*Dohman, Akerlund & Eddy, LLC*

March 28, 2013

Received & Inspected

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

Balance Sheets

December 31, 2012 and 2011

*Received & Inspected*

*OCT 24 2013*

*FCC Mail Room*

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents, including construction funds of [REDACTED] in 2012 and [REDACTED] in 2011	\$ [REDACTED]	[REDACTED]
Available-for-sale securities, at fair value	[REDACTED]	[REDACTED]
Due from subscribers and agents	[REDACTED]	[REDACTED]
Inventory, at cost	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
Other assets:		
Due from affiliated companies, net	[REDACTED]	[REDACTED]
Other investment	[REDACTED]	[REDACTED]
Miscellaneous physical property	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net miscellaneous physical property	[REDACTED]	[REDACTED]
Total other assets	[REDACTED]	[REDACTED]
Property and equipment, at cost	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
Net property and equipment	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

OCT 24 2013

FCC Mail Room

<u>Liabilities and Stockholder's Equity</u>	<u>2012</u>	<u>2011</u>
Current liabilities:		
Current installments of long-term debt	\$ [REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Due to affiliated companies	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	[REDACTED]	[REDACTED]
Total liabilities	[REDACTED]	[REDACTED]
Stockholder's equity:		
Common stock of \$ [REDACTED] par value		
per share, authorized [REDACTED] shares;		
issued and outstanding [REDACTED] shares	[REDACTED]	[REDACTED]
Accumulated other comprehensive income	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
Total stockholder's equity	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Statements of Operations and Comprehensive Income or Loss

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Local service	\$ [REDACTED]	[REDACTED]
Toll service and access charges	[REDACTED]	[REDACTED]
Billing and collection revenue	[REDACTED]	[REDACTED]
Directory advertising and other revenue	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses:		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Operating income	[REDACTED]	[REDACTED]
Operating taxes, other	[REDACTED]	[REDACTED]
Net operating income	[REDACTED]	[REDACTED]
Non-operating income (deductions):		
Investment income	[REDACTED]	[REDACTED]
Gain (loss) on sale of available-for-sale securities	[REDACTED]	[REDACTED]
Net deregulated income, including depreciation expense of [REDACTED] in 2012 and [REDACTED] in 2011	[REDACTED]	[REDACTED]
Special charges, contributions	[REDACTED]	[REDACTED]
Valuation allowance recovery (expense)	[REDACTED]	[REDACTED]
Total non-operating income (deductions), net	[REDACTED]	[REDACTED]
Income (loss) prior to fixed charges	[REDACTED]	[REDACTED]
Fixed charges:		
Interest on long-term debt	[REDACTED]	[REDACTED]
Other interest	[REDACTED]	[REDACTED]
Total fixed charges	[REDACTED]	[REDACTED]
Net earnings (losses)	[REDACTED]	[REDACTED]
Other comprehensive income (loss):		
Losses (gains) recognized and included in net earnings	[REDACTED]	[REDACTED]
Net increase (decrease) in unrealized gains on securities	[REDACTED]	[REDACTED]
Comprehensive income (loss)	\$ [REDACTED]	[REDACTED]

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

OCT 24 2013

Statements of Stockholder's Equity

FCC Mail Room

Years Ended December 31, 2012 and 2011

	<u>Common Stock</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balances at December 31, 2010	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net loss			[REDACTED]	[REDACTED]
Losses on sale of securities included in net earnings		[REDACTED]		[REDACTED]
Net decrease in unrealized gains on securities		[REDACTED]		[REDACTED]
Dividends, \$ [REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances at December 31, 2011	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net earnings			[REDACTED]	[REDACTED]
Gains on sale of securities included in net earnings		[REDACTED]		[REDACTED]
Net increase in unrealized gains on securities		[REDACTED]		[REDACTED]
Dividends, \$ [REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balances at December 31, 2012	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

OCT 24 2013

Statements of Cash Flows

FCC Mail Room

Years Ended December 31, 2012 and 2011

<u>Increase or Decrease in Cash and Cash Equivalents</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from subscribers and agents	\$ [REDACTED]	[REDACTED]
Cash paid to suppliers and employees	[REDACTED]	[REDACTED]
Investment income received	[REDACTED]	[REDACTED]
Interest paid	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	[REDACTED]	[REDACTED]
Expenditures for miscellaneous physical property	[REDACTED]	[REDACTED]
Proceeds from sale of available-for-sale securities	[REDACTED]	[REDACTED]
Expenditures for property and equipment	[REDACTED]	[REDACTED]
Net receipts from affiliated companies	[REDACTED]	[REDACTED]
Net cash provided (used) by investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities:		
Dividends paid	[REDACTED]	[REDACTED]
Principal payments on long-term debt	[REDACTED]	[REDACTED]
Net cash used by financing activities	[REDACTED]	[REDACTED]
Net increase (decrease) in cash and cash equivalents	[REDACTED]	[REDACTED]
Cash and cash equivalents at beginning of year	[REDACTED]	[REDACTED]
Cash and cash equivalents at end of year	\$ [REDACTED]	[REDACTED]

(Continued)



OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Statements of Cash Flows  
(Continued)  
Years Ended December 31, 2012 and 2011

<u>Reconciliation of Net Earnings or Losses to Net Cash Provided by Operating Activities</u>	<u>2012</u>	<u>2011</u>
Net earnings (losses)	\$ [REDACTED]	[REDACTED]
Adjustments to reconcile net earnings (losses) to net cash provided by operating activities:		
Depreciation of property and equipment	[REDACTED]	[REDACTED]
Depreciation of miscellaneous physical property	[REDACTED]	[REDACTED]
Valuation expense (recovery)	[REDACTED]	[REDACTED]
Non-cash patronage dividends	[REDACTED]	[REDACTED]
Gain (loss) on sale of available-for-sale securities	[REDACTED]	[REDACTED]
Decrease (increase) in:		
Due from subscribers and agents	[REDACTED]	[REDACTED]
Inventory	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Increase (decrease) in:		
Accounts payable	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]
Total adjustments	[REDACTED]	[REDACTED]
Net cash provided by operating activities	\$ [REDACTED]	[REDACTED]

Supplemental Disclosures of Cash Flows Information

Included in accounts payable was \$ [REDACTED] and \$ [REDACTED] for the purchase of property and equipment as of December 31, 2012 and 2011, respectively.

Non-cash dividends paid to Pierce totaled \$ [REDACTED] and \$ [REDACTED] during 2012 and 2011, respectively.

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

December 31, 2012 and 2011

Received & Inspected

OCT 24 2013

FCC Mail Room

(1) Summary of Significant Accounting Policies

General

Pierce Telephone Company, Incorporated (the Company) is a wholly-owned subsidiary of Pierce Telecommunications, Inc. (Pierce), a holding company headquartered in Pierce, Nebraska. The Company is also affiliated with Pierce's wholly-owned subsidiary, Sapius, Inc. (SAP), which is an investment holding company. Additionally, the Company is affiliated with Fogle Enterprises, LLC (Fogle), Nebraska Long Distance, LLC (NLD), and PBN, LLC (PBN) through common ownership by Pierce. Fogle maintained an investment in a wireless phone system venture and currently has no operations while NLD is an operating company which provides long distance telephone and communication services. PBN will provide ETS Ethernet transport and internet services beginning in 2013. The Company provides telephone services to two exchanges in northeastern Nebraska and maintains its accounting records in accordance with the rules and regulations of the Nebraska Public Service Commission and utilizes the Uniform System of Accounts prescribed by the Federal Communications Commission. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Additionally, advances to affiliated companies are presented on the net cash flow basis.

Investment securities

Investment securities that are held for short-term resale are classified as trading securities and carried at fair value. Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts using methods approximating the interest method. Other marketable securities are classified as available-for-sale and are carried at fair value. Realized and unrealized gains and losses on trading securities are included in net income. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in stockholder's equity. Cost of securities sold is recognized using the specific identification method.

(Continued)

OCT 24 2013

## PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

## Notes to Financial Statements

Due from subscribers and agents and allowance for doubtful receivables

Expenses include a provision for doubtful accounts to allow for estimated uncollectible accounts. This provision is based on past experience and on analysis of current accounts receivable collectibility. Accounts are considered delinquent based on passage of a specified period of time and consideration of payment history. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. No allowances were deemed necessary for 2012 or 2011.

Inventory valuation

Inventories of material and supplies are valued at the lower of cost or market. Cost is generally determined using the first-in, first-out method.

Miscellaneous physical property

Depreciation of miscellaneous physical property is computed using the straight-line method over the estimated useful life of the related asset.

Property and equipment

Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to expense. Replacement and renewal of items considered to be units of property are charged to the property and equipment accounts. Most property and equipment retired or otherwise disposed of in the ordinary course of business, together with the cost of removal less salvage, is charged to accumulated depreciation. At the time of retirement or disposition of specifically identifiable units of equipment, accounts are relieved of cost and accumulated depreciation and gains or losses on the transactions are taken into income. Depreciation of property and equipment is determined using the straight-line method based on the estimated service lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No asset impairments were recognized during the years ended December 31, 2012 and 2011.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

(Continued)

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Notes to Financial Statements

Revenues

Telecommunication service revenues are recognized when related services are provided.

Income taxes

Effective January 1, 2000, the Company elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. Under these provisions, the Company is a Qualified Subchapter "S" subsidiary and its parent will recognize the Company's otherwise taxable income and will then "pass through" this income to its stockholders who are ultimately responsible for any income tax liabilities that may exist. Neither the Company nor its parent incurs income tax expense on such income; however, it can be subject to an excess net passive income tax and certain recapture taxes if certain requirements are met.

The Company has adopted Financial Accounting Standards Board (FASB) guidance related to accounting for any uncertainties in income taxes and required disclosures thereon. This guidance prescribes a minimum threshold a tax position is required to meet before being recognized on the financial statements. There were no unrecognized tax benefits or accruals for uncertain tax positions as of December 31, 2012 and 2011. The Company has not recognized any interest or penalties in relation to income tax filings as of or for the years ended December 31, 2012 or 2011. Additionally, the Company's status of being a Qualified Subchapter "S" subsidiary entity has been maintained and remains the tax position of the Company. Finally, tax years ended December 31, 2009 through 2012 all remain open (via the parent company) and are subject to potential examination by taxing jurisdictions.

Subsequent events

The Company has evaluated subsequent events through March 28, 2013, the date on which the financial statements were available to be issued.

(2) Cash and Cash Equivalents

A summary of cash and cash equivalents as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Operating cash	\$ [REDACTED]	[REDACTED]
Petty cash	[REDACTED]	[REDACTED]
Outstanding checks and other in-transit items	\$ [REDACTED]	[REDACTED]

(Continued)

REDACTED - FOR PUBLIC INSPECTION

OCT 24 2013

## PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

## Notes to Financial Statements

The Company's cash and cash equivalents at December 31, 2012 consisted of checking and money market accounts. All income associated with cash and cash equivalents is reported as non-operating income in the statements of operations and comprehensive income or loss.

The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal.

(3) Available-for-sale Securities

The following is a schedule of unrealized holding gains and losses for available-for-sale equity mutual fund securities as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Available-for-sale securities		
classified as current assets at fair value	\$	█
Financial statement cost basis		
of available-for-sale securities	—	█
Net unrealized holding gains	\$	█

Accumulated other comprehensive income is comprised solely of cumulative net unrealized holding gains.

All mutual funds were sold during 2012 with a █ of \$ █ being recognized in 2012.

During 2011, the Company paid a dividend in the amount of █ (cost basis) to Pierce in the form of available-for-sale securities and cash maintained in a money market mutual fund previously held by the Company.

(4) Affiliated Companies and Related Party Transactions

Pierce provides employee services to the Company at scheduled rates per hour. Related cost of these services totaled \$ █ and \$ █ in 2012 and 2011, respectively, including amounts capitalized in property and equipment of \$ █ and █, respectively.

(Continued)

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Notes to Financial Statements

Cumulative balances due to the Company at December 31, 2012 and 2011 from Pierce are as follows:

	<u>2012</u>	<u>2011</u>
Due from parent company, net	\$ [REDACTED]	[REDACTED]
Valuation allowance	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

A valuation allowance of \$ [REDACTED] was established as of December 31, 2011 as resources available to Pierce were not adequate to repay the Company in full for all outstanding advances due. No valuation allowance was determined necessary as of December 31, 2012. Included in the total above is \$ [REDACTED] due from and [REDACTED] due to Pierce.

Additionally, the Company had a miscellaneous receivable of \$ [REDACTED] and \$ [REDACTED] due from NLD as of December 31, 2012 and 2011, respectively. Balances due to SAP and NLD as of December 31, 2012 and 2011 totaled \$ [REDACTED] and \$ [REDACTED], respectively.

(5) Property and Equipment

A summary of property and equipment at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Intangibles	\$ [REDACTED]	[REDACTED]
Land	[REDACTED]	[REDACTED]
Motor vehicles	[REDACTED]	[REDACTED]
Other work equipment	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]
Office support equipment	[REDACTED]	[REDACTED]
Company communications equipment	[REDACTED]	[REDACTED]
Computer software	[REDACTED]	[REDACTED]
General purpose computers	[REDACTED]	[REDACTED]
Digital switching	[REDACTED]	[REDACTED]
Circuit equipment	[REDACTED]	[REDACTED]
Customer premises wiring	[REDACTED]	[REDACTED]
Pole lines	[REDACTED]	[REDACTED]
Buried cable	[REDACTED]	[REDACTED]
Conduit system	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

The composite depreciation rate was [REDACTED] in 2012 and [REDACTED] in 2011.

(Continued)

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Notes to Financial Statements

Depreciation expense (including non-regulated depreciation) during 2012 and 2011 totaled \$ [REDACTED] and \$ [REDACTED], respectively.

(6) Long-term Debt

Long-term debt at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
[REDACTED] mortgage note payable to the United States of America in equal monthly payments of \$ [REDACTED], including interest, paid off in 2012	\$ [REDACTED]	[REDACTED]
[REDACTED] mortgage note payable to the United States of America in equal monthly payments of [REDACTED], including interest, paid off in 2012	[REDACTED]	[REDACTED]
Total long-term debt	[REDACTED]	[REDACTED]
Less current installments of long-term debt	[REDACTED]	[REDACTED]
Long-term debt, excluding current installments	\$ [REDACTED]	[REDACTED]

All assets of the Company were pledged as security for the mortgage notes payable during 2011.

(7) Operating Leases

The Company leases a copy machine and postage machine under various terms requiring future payments. Rental expense under the terms of these lease agreements were \$ [REDACTED] and \$ [REDACTED] in 2012 and 2011, respectively.

Future minimum rental payments required under the leases are as follows:

Year Ending December 31,	
2013	\$ [REDACTED]
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]

(Continued)

OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Notes to Financial Statements

(8) Income Taxes

Total tax expense in 2012 and 2011 was different from the expense computed by applying the statutory U.S. federal income tax rate of [REDACTED] to earnings before income tax. The reasons for the difference are shown in the following schedule:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of Pretax Income</u>	<u>Amount</u>	<u>% of Pretax Income</u>
Computed "expected" tax expense (benefit)	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income (loss) not taxed to Company due to Subchapter "S" election	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(9) Retained Earnings

A summary of retained earnings at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Corporate earnings prior to Subchapter S elections	\$ [REDACTED]	[REDACTED]
Undistributed Subchapter S earnings reflected in income tax returns filed or to be filed for periods ended December 31, 2012 or prior	[REDACTED]	[REDACTED]
Undistributed Subchapter S earnings (losses) not yet taxed due to timing differences in reporting certain transactions for financial accounting and income tax purposes	[REDACTED]	[REDACTED]
	\$ [REDACTED]	[REDACTED]

(10) Fair Value for Financial Instruments

Effective January 1, 2008, the Company adopted provisions issued by the FASB on fair value measurements for financial assets and financial liabilities. These provisions define fair value, establish a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expand disclosures about fair value measurements.

(Continued)



OCT 24 2013

PIERCE TELEPHONE COMPANY, INCORPORATED

FCC Mail Room

Notes to Financial Statements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This price measurement assumes the transaction occurs in the principal market for the asset or liability, or in the most advantageous market for the asset or liability in absence of a principal market. Additionally, fair value measurements are not adjusted for transaction costs. A fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value was also established. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of inputs are as follows:

- Level 1 - Valuation is based on quoted prices for identical instruments traded in active markets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Valuation is based on significant other observable inputs other than Level 1 inputs. This includes quoted active market prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data.
- Level 3 - Valuation is based on significant unobservable inputs that represent the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability. These include assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, including assets and liabilities for which determination of fair value requires significant management judgment or estimates.

Available-for-sale investment securities present during 2011 were the only assets or liabilities that are measured at fair value on a recurring basis. The Company's investments during 2011 were valued using the Level 1 valuation method.

The Company estimates that the fair value of any other financial instruments do not differ materially from their carrying values as displayed in the accompanying balance sheet.

(11) Reclassification

The Company's 2011 financial statements have been reclassified to conform with 2012 presentation.

PIERCE TELEPHONE COMPANY, INCORPORATED

OCT 24 2013

Statistical Information

FCC Mail Room

Years Ended December 31, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>Total</u>	<u>Amount Per Station</u>	<u>Total</u>	<u>Amount Per Station - "Unaudited"</u>
Number of stations at end of year		<u>    </u>		<u>    </u>
Operating revenues:				
Local service	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Toll service and access charges	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Billing and collection	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Directory advertising and other	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total operating revenues	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Property and equipment	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Less accumulated depreciation	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Net property and equipment	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total liabilities	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total stockholder's equity	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Total operating expenses (excluding taxes)	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Operating taxes (excluding income taxes)	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Net operating income	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Fixed charges	\$ <u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Return on rate base	<u>    </u>		<u>    </u>	
Percentage of net earnings (losses) to year-end stockholder's equity	<u>    </u>		<u>    </u>	
Ratio of long-term debt to net property and equipment	<u>    </u>		<u>    </u>	
Ratio of liabilities to stockholder's equity	<u>    </u>		<u>    </u>	
Ratio of net operating income to fixed charges	<u>    </u>		<u>    </u>	